

FOWLERVILLE DISTRICT LIBRARY

FINANCIAL REPORT  
June 30, 2006

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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name <b>FOWLerville DISTRICT LIBRARY</b>	County <b>LIVINGSTON</b>
Fiscal Year End <b>6-30-06</b>		Opinion Date <b>12-19-06</b>		Date Audit Report Submitted to State <b>12-29-06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

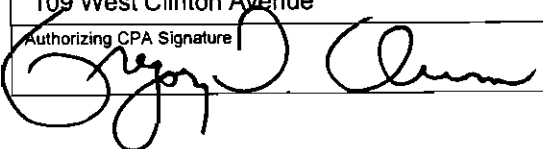
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) <b>Bredernitz, Wagner &amp; Co., P.C.</b>		Telephone Number <b>517-546-2130</b>	
Street Address <b>109 West Clinton Avenue</b>		City <b>Howell</b>	State <b>MI</b>
Zip <b>48843</b>			
Authorizing CPA Signature 	Printed Name <b>Gregory D. Clum</b>		License Number <b>1101014127</b>

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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CONSULTANTS

DAVID L. BREDERNITZ, CPA  
HERBERT P. WAGNER, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
the Fowlerville District Library  
Fowlerville, Michigan

We have audited the accompanying financial statements of the Fowlerville District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fowlerville District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fowlerville District Library as of June 30, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fowlerville District Library's basic financial statements. The introductory section and other supplementary information are

To the Board of Trustees of  
the Fowlerville District Library  
Page 2

presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Bradley J. Wagner & Co, P.C.*

Howell, Michigan  
December 19, 2006

FOWLERVILLE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended June 30, 2006 and June 30, 2005  
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

FOWLERVILLE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended June 30, 2006 and June 30, 2005  
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current assets	\$583,509	551,800
Capital assets	<u>228,916</u>	<u>227,522</u>
Total assets	812,425	779,323
Current liabilities	<u>7,753</u>	<u>8,901</u>
Net assets:		
Invested in capital assets	228,916	227,522
Unrestricted	<u>575,756</u>	<u>542,899</u>
Total net assets	<u>\$804,672</u>	<u>770,421</u>
Revenue:		
Property taxes	195,536	184,289
Other	<u>110,792</u>	<u>94,887</u>
Total revenue	306,328	279,176
Expenses - Library services	<u>272,077</u>	<u>260,047</u>
Change net assets	<u>\$ 34,251</u>	<u>19,129</u>

FOWLERVILLE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For the Years Ended June 30, 2006 and June 30, 2005  
(Unaudited)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among Libraries in Michigan.
- As a result of this change, the Library reports net assets of \$804,672 and \$770,421 on a full accrual basis, as compared to \$583,509 and \$542,899 on the modified accrual basis of accounting, for the years ended June 30, 2006 and June 30, 2005, respectively.
- The Library's primary source of revenue is from property taxes. For the years ended June 30, 2006 and June 30, 2005, total tax collections were \$195,536 and \$184,289 respectively. This represents approximately 63.8 and 66.0 percent of total revenue, respectively.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For the years ended June 30, 2006 and June 30, 2005, these expenditures were \$167,369 and \$153,210, representing 61.5 and 58.9 percent of the Library's total expenditures, respectively.
- Depreciation expense represents 18.6 and 18.1 percent of the Library's total expenses, for the years ended June 30, 2006 and June 30, 2005, respectively.
- Total expenditures for the entire year under the modified accrual method of accounting were \$273,471 and \$269,323 for the years ended June 30, 2006 and June 30, 2005, respectively.
- The Library's conversion to meet GASB 34 Standards, which includes capitalization of Library owned assets and associated depreciation expense is reflected in the Statement of Activities on page 9 of the financial report.

FOWLERVILLE DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)  
For the Years Ended June 30, 2006 and June 30, 2005  
(Unaudited)

The Library's Fund

Our analysis of the Library's General fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

- The fund balance of the General Fund increased during the years ended June 30, 2006 and June 30, 2005 by \$32,857 and \$9,853, respectively. This represents unspent revenue greater than expenses.

Library Budgetary Highlights

The Library Board did not amend the budget during the year.

Capital Assets and Debt Administration

As of June 30, 2006 and June 30, 2005 the Library had \$228,916 and \$227,522, respectively, invested in land, building, furniture, equipment, books and materials. During the years ended June 30, 2006 and June 30, 2005 the Library added \$41,541 and \$41,640, respectively, in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection.

Next Year's Millage Rates

The Library's millage rates for the years ended June 30, 2006 and June 30, 2005 were 0.4026 and 0.4073 mills, respectively. Based on the taxable value of property in the Library's district, this will generate approximately \$213,000 and \$193,000 in tax revenue, respectively.



FOWLERVILLE DISTRICT LIBRARY  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET ASSETS  
Year Ended June 30, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets
Assets			
Cash and investments (Note 3)	\$ 579,380	-	579,380
Accrued interest	4,129	-	4,129
Property and equipment (Note 4)	<u>-</u>	<u>228,916</u>	<u>228,916</u>
Total Assets	<u>\$ 583,509</u>	<u>228,916</u>	<u>812,425</u>
Liabilities			
Accounts payable	\$ 2,188	-	2,188
Accrued liabilities	<u>5,565</u>	<u>-</u>	<u>5,565</u>
Total Liabilities	<u>7,753</u>	<u>-</u>	<u>7,753</u>
Fund Balance/Net Assets			
Fund balances - Unreserved:			
Undesignated	<u>575,756</u>	<u>(575,756)</u>	<u>-</u>
Total Fund Balance	<u>575,756</u>	<u>(575,756)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 583,509</u>		
Net Assets:			
Invested in capital assets		228,916	228,916
Unrestricted		<u>575,756</u>	<u>575,756</u>
Total Net Assets		<u>\$ 804,672</u>	<u>804,672</u>

The notes to financial statements are an integral part of this statement.

FOWLERVILLE DISTRICT LIBRARY  
STATEMENT OF GOVERNMENTAL REVENUE,  
EXPENDITURES, AND CHANGES IN  
FUND BALANCE / STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities
Revenue			
Property taxes	\$ 195,536	-	195,536
State aid	11,623	-	11,623
Charges for services	6,970	-	6,970
Investment income	18,287	-	18,287
Contributions	5,949	-	5,949
Fines and forfeitures	67,963	-	67,963
	<u>306,328</u>	<u>-</u>	<u>306,328</u>
Total Revenues			
Expenditures			
Salaries and fringe benefits	167,369	-	167,369
Supplies	10,559	-	10,559
Dues, fees and memberships	768	-	768
Library books and materials	41,541	(41,541)	-
Professional and contractual services	18,432	-	18,432
Training and education	3,922	-	3,922
Insurance	3,530	-	3,530
Utilities	9,481	-	9,481
Repairs and maintenance	1,158	-	1,158
Building improvements, non-capital	716	-	716
Building improvements capital outlay	8,648	(8,648)	-
Equipment, non-capital	5,564	-	5,564
Equipment capital outlay	1,783	(1,783)	-
Depreciation	-	50,578	50,578
	<u>273,471</u>	<u>(1,394)</u>	<u>272,077</u>
Total Expenditures			
Excess of Revenues Over Expenditures/Change in Net Assets	32,857	1,394	34,251
Fund Balance/Net Assets - Beginning of year	542,899	227,522	770,421
Fund Balance/Net Assets - End of year	\$ <u>575,756</u>	<u>228,916</u>	<u>804,672</u>

The notes to financial statements are an integral part of this statement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

## Definition of the reporting entity:

The Fowlerville District Library (the "Library") was organized in 1994 under the provisions of the Michigan District Library Establishment Act, Public Acts 24 of 1989. The Library serves the Fowlerville Consolidated School District, which includes Handy Township and portions of Iosco, Conway, Howell, Cohoctah and Unadilla Townships. In addition, the Library provides library services to portions of White Oak, Locke and Antrim Townships that are not included in the School District. The Library is governed by a seven member board of trustees elected at large from the Fowlerville Consolidated School District.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, these financial statements present the Fowlerville District Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the Library has no component units.

## Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

## Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded in one fund as follows:

## Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION (Concluded)

## Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Fowlerville District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

## Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Fowlerville District Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the fiscal period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

## Investments:

Investments are stated at cost. Interest earned is recorded as revenue when the investment matures or when credited, by the financial institution, to the interest bearing account.

## Compensated absences (vacation and sick leave):

Full-time Library employees earn vacation time in various amounts based on length of service. Sick leave is earned by full-time employees at a rate of  $\frac{1}{2}$  day per month of service. No payment is made for unused, accumulated sick leave or vacation time upon separation. Unused sick leave and vacation time is immaterial in amount at year end. Therefore, no liability is accrued for accumulated sick leave or vacation time.

## Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2005 State equalized valuation of the Library totaled \$624,849,082. The State taxable valuation of the Library totaled \$473,823,481 on which ad valorem taxes levied consisted of 0.4073 mills raising \$195,536 for operating purposes.

## Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	3-10 years

## Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Budgets and budgetary accounting:

The budget of the General Fund is legally adopted through a Board resolution prior to the beginning of the budgetary year. There were no amendments to the original budget during the year. The encumbrance method of budgeting is not used. Any unexpended appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device for the General Fund. Budgets are prepared on a modified accrual basis, which is in conformity with generally accepted accounting principles. There were no amendments to the budget during the year.

## Note 3. CASH AND CASH INVESTMENTS

Deposits are carried at cost. Deposits are in two financial institutions in the name of the Fowlerville District Library. The Fowlerville District Library's investment policy authorizes the Library Treasurer to invest in the following types of securities:

- A. Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.

## Note 3. CASH AND CASH INVESTMENTS (Concluded)

- B. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but the Library shall not deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- C. Mutual funds registered under the investment company act of 194, title I of chapter 686. 54 State/ 890. 15 I/S/C/ 9-a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
- (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- D. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118,
- E. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

At year-end, the carrying amount of the Library's deposits were \$579,225 and the respective bank balance totaled \$587,093 of which \$387,093 was not covered by Federal Depository Insurance. The difference between the carrying amount of the Library's deposits and the respective bank balance represents checks written during the year but not yet presented for payment. The library also had \$155 in imprest cash at year-end. All of the Library's deposits were made in accordance with the investment policy.

## Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Building	\$105,271	-	-	105,271
Building Improvements	21,017	-	-	21,017
Computers	18,491	1,783	-	20,274
Furniture and Equipment	64,453	8,648	-	73,101
Library books and Materials	<u>347,925</u>	<u>41,541</u>	<u>30,628</u>	<u>358,838</u>
Total	557,157	51,972	30,628	578,501
Accumulated Depreciation	<u>(329,635)</u>	<u>(50,578)</u>	<u>30,628</u>	<u>(349,585)</u>
Net Book Value	<u>\$227,522</u>	<u>1,394</u>	<u>-</u>	<u>228,916</u>

## Note 5. PENSION PLANS

## Defined Contribution Retirement Plan

Plan Description. Fowlerville District Library participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system that is administered by the state of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the state of Michigan. The Library has no fiduciary responsibility for the plan.

Pension Benefit Obligation. The Pension Benefit Obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The unfunded pension benefit obligation was \$13,686 at December 31, 2006, determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ -
Terminated employees not yet receiving benefits	-



## Note 5. PENSION PLANS (Concluded)

Current employees -	
Accumulated employee contributions	
including allocated investment income	\$27,321
Employer Financed	<u>91,305</u>
Total Actuarial Accrued Liability	118,626
Net Assets Available for Benefits at	
Actuarial Value (Market Value is \$86,734)	<u>104,940</u>
Unfunded Pension Benefit Obligation	<u>\$13,686</u>

## Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Accrued Liabilities	Valuation Assets	Funded Percent	Unfunded Actuarial Liability	UAL as of Percentage of Annual Payroll
12/31/2003	\$86,888	\$73,675	84.79%	\$13,213	19.0%
12/31/2004	101,589	88,856	87.47	12,733	17.0
12/31/2005	118,626	104,940	88.46	13,686	18.0

## Note 6. RISK MANAGEMENT

The Fowlerville District Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and worker's compensation benefit provided to employees.

The Library's coverage on general liability is \$1,000,000 with a liability limit of \$1,000,000. The Library's coverage on software and equipment is \$5,000 and \$10,000, respectively, after a \$250 deductible per occurrence. The Library's coverage on public officials' liability is \$500,000 with a liability limit of \$500,000. Any liability for losses which exceed these amounts would remain with the Library.

## Note 7. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities.

Note 7. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in assets:

Total Fund Balance - Modified Accrual Basis	\$575,756
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	<u>228,916</u>
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Net Assets of General Fund - Full Accrual Basis	<u>\$804,672</u>
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Net Change in Fund Balances - Modified Accrual Basis	\$ 32,857
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in statement of revenue, expenditures, and changes in fund balance, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	41,541
Capital outlay	10,431
Depreciation	<u>(50,578)</u>

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 34,251</u>
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FOWLerville DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2006

	Original and Final Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 193,298	195,536	2,238
State aid	12,000	11,623	(377)
Charges for services	6,280	6,970	690
Investment income	13,000	18,287	5,287
Contributions	125	5,949	5,824
Fines and forfeitures	61,000	67,963	6,963
Total Revenues	<u>285,703</u>	<u>306,328</u>	<u>20,625</u>
Expenditures			
Salaries and fringe benefits	186,391	167,369	19,022
Supplies	14,800	10,559	4,241
Dues, fees and memberships	900	768	132
Library books and materials	37,412	41,541	(4,129)
Professional and contractual services	17,500	18,432	(932)
Training and education	5,500	3,922	1,578
Insurance	4,000	3,530	470
Utilities	8,700	9,481	(781)
Repairs and maintenance	4,000	1,158	2,842
Building improvements capital outlay	25,380	9,364	16,016
Equipment capital outlay	6,500	7,347	(847)
Total Expenditures	<u>311,083</u>	<u>273,471</u>	<u>37,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,380)	32,857	58,237
Fund Balance - Beginning of year	<u>25,380</u>	<u>542,899</u>	<u>517,519</u>
Fund Balance - End of year	\$ <u>-</u>	<u>575,756</u>	<u>575,756</u>

**BREDERNITZ, WAGNER & CO., P.C.**

*Certified Public Accountants*

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December 19, 2006

To the Board of Trustees of  
The Fowlerville District Library  
Fowlerville, Michigan

In planning and performing our audit of the financial statements of the Fowlerville District Library for the year ended June 30, 2006, we considered the Fowlerville District Library's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 19, 2006 on the financial statements of the Fowlerville District Library. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the accompanying memorandum.

We appreciate the assistance provided to us by the staff of the Fowlerville District Library. This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Bredernitz, Wagner & Co., P.C.*

Howell, Michigan  
December 19, 2006

Status of the prior year recommendation:

1. The bookkeeper is the person in charge of opening and reconciling the bank statement, as well as writing the checks.

We suggest that the unopened bank statements be received by the Library director. The director should open and review the bank statements and copies of the canceled checks. Any unusual items should be investigated and resolved as soon as possible. Documentation of the review of the items should be made on the face of the bank statement. These procedures will help improve controls over cash and will strengthen internal control.

Status: This recommendation has been implemented.

Current year recommendations:

1. The balance in petty cash fund did not match the Petty Cash account on the trial balance.

At the time of our review, the balance in petty cash exceeded the amount of petty cash on the balance sheet. It is our recommendation that the bookkeeper reconcile the petty cash fund to the balance sheet on a monthly basis. This will help ensure that the petty cash balance will agree with the amount recorded on the books.

2. Although 1099's were properly prepared and issued, duplicate copies were not retained for the Library's files.

Care should be taken to ensure that all tax documents are properly filed and retained. We recommend that a better system of document retention and file maintenance be implemented. This will help ensure that all documents are on file in case of a request for the documentation.